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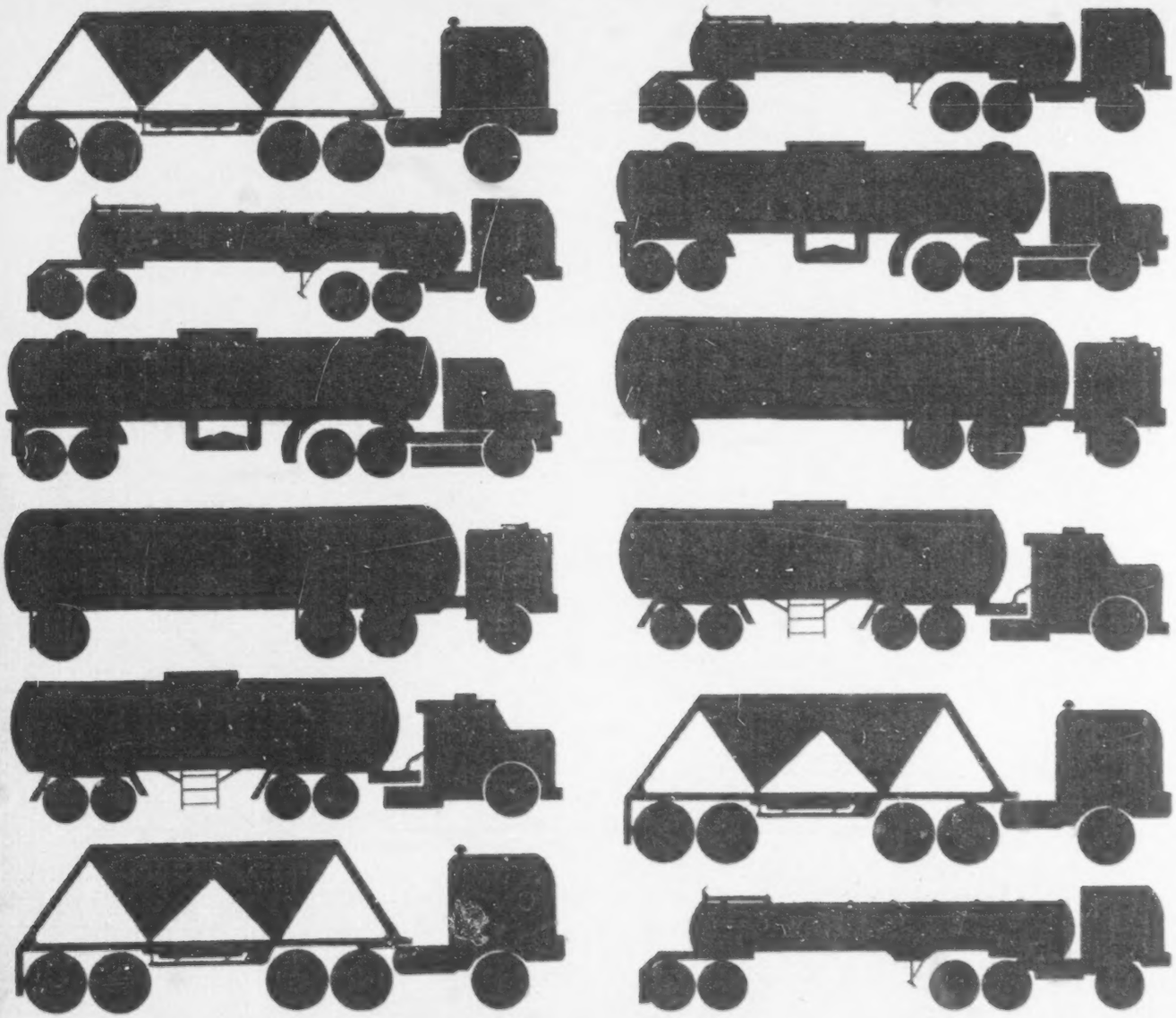


A FINANCIAL ANALYSIS OF THE FOR-HIRE TANK TRUCK INDUSTRY 1978 AND FIRST HALF OF 1979

NATIONAL TANK TRUCK CARRIERS, INC.

A CONFERENCE OF AMERICAN TRUCKING ASSOCIATIONS

NTTC

A WORD ABOUT THE PUBLISHER

National Tank Truck Carriers, Inc. is the international trade association of the for-hire tank truck industry.

Its members are domiciled in, and operate throughout, the 48 Continental United States. It is estimated that NTTC represents over 75% of the for-hire tank truck capacity in the United States. Additionally, the Association has members in Canada, Mexico, South Africa, New Zealand, Japan, Malaysia, and Australia.

Important to note is the fact that the statistical compilations in the publication represent the statements both of NTTC members and of non-members.

National Tank Truck Carriers is primarily responsible for the representation of its member carriers before the public and before various state, local, and Federal government entities, particularly the Interstate Commerce Commission, the U.S. Department of Transportation, and the U.S. Environmental Protection Agency.

The Association staff prepares (on a regular basis) numerous publications such as Newsletters, Membership Bulletins, Hazardous Commodity Handbook, regulatory summaries, and an annual Directory.

Additionally, a twenty-four hour, seven-days-a-week telephone news service is available to member carriers.

NTTC, through various specialized groups of member company personnel, provides forums for the exchange of viewpoints and expertise in the areas of safety, carrier financing, and management training. For instance, the NTTC Middle Management Seminar, held annually at Purdue University, provides training in management development techniques for member carrier personnel.

Through their Association, tank carrier members constantly maintain liaison with similar groups representing our industry's manufacturers and customers. Some of these groups are the Truck Trailer Manufacturer's Association, the American Petroleum Institute, the Chemical Manufacturers Association, the Fertilizer Institute, and the Compressed Gas Association.

NTTC is a non-profit corporation affiliated with the American Trucking Associations.

Additional copies of the Financial Analysis are available upon request through National Tank Truck Carriers, Inc., 1616 P Street, N.W., Washington, D.C., 20036. (Telephone 202/797-5425)

The For-Hire Tank Truck Industry

Introduction

Since its inception in 1973, this annual financial analysis has been designed to provide education and information to scholars, research analysts and investors interested in the for-hire tank truck industry. The over-view nature of this publication, and its financial analysis of recent years of tank truck operating statistics, hopefully will provide information to those people studying transportation in general and bulk common carriers specifically. The tank truck industry has long been a provider of transportation for gasoline, diesel fuel, propane and other petroleum products. Recently, the industry has become known as a major link in the "energy transportation" system.

Therefore, in this annual "Financial Analysis of the For-Hire Truck Industry," NTTC will continue the format of providing historical, as well as statistical data, in order to provide a better overall perspective of this industry for the reader.

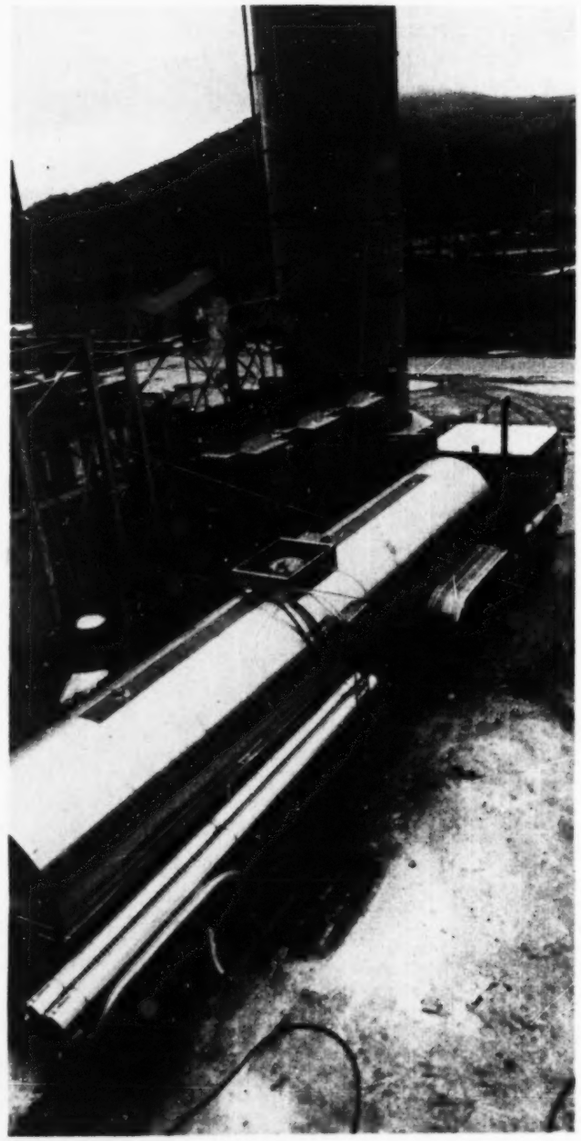
History & Development

The concept of regulated bulk highway transportation came into existence upon passage of Part II of the Interstate Commerce Act in 1935. The passage of this legislation created the environment which fostered the growth of companies which provide reliable truck transport service to the general shipping public. In the years prior to Federal economic regulation, this highly specialized segment of the motor carrier industry suffered from the same problems that the rest of the trucking industry experienced. Truck operators fought each other for a limited amount of business. Cut-throat competition was the order of the day. This resulted in under-capitalized carriers operating vehicles which they could not afford to maintain adequately and created a significant threat to highway safety. The problems of the infant industry resulted in an unstable motor carrier system, bankrupting many carriers and thereby eliminating service in some areas.

World War II was the setting for the firm establishment of the tank truck industry. The war effort required enormous use of petroleum and petroleum products. With railroads handling troop and materiel movements and long haul freight transportation, the tank truck carrier filled the service vacuum in providing short haul delivery of product throughout the United States.

In the years following the war, America's industrial and personal philosophy changed. Industry, for the first time in two hundred years, was moving away from the rivers which previously supplied power and transportation. As the interstate highway system was built, manufacturing tapped new labor sources in previously inaccessible areas. The cost of maintaining inventory and the cost of money became important factors in daily business.

The tank truck industry was ideally suited to perform the transportation functions of the



dispersed industries. No longer were large volume deliveries of raw materials required. Industry needed smaller loads for many different processed chemicals and petroleum products. Builders were erecting plant sites far off rail sidings, and suburbia was sprouting residential housing developments along the arteries of interstate highways all over the nation.

The for-hire tank truck industry, working in concert with its equipment suppliers, developed the tank vehicles to meet the new challenges.

While petroleum products still represent a large percentage of many carriers' business, over the years dry bulk cement, foodstuffs, chemicals, pelletized and powdered plastics and many other varied products which require flexible transportation service came to the for-hire tank truck fleets.

Under the economic regulation of the Interstate Commerce Commission, today's common carrier is protected from the ravages of the destructive competition which nearly led to the destruction of the industry in the 1920's and early 1930's. With this guarantee of a realistic operating environment, the common carrier has taken on an obligation to serve all cities and customers in his territory without prejudice and discrimination. This guaranteed, reliable pipeline of transportation service has enabled industry to disperse, diversify, plan and expand, and fostered the tank truck carriers' growth.

Over the last two years, the concept of economic regulation has come under heavy criticism from various sources — Congress, the Administration and the ICC itself. The reaction of the Commision has been considerable self-reform, resulting in changes away from traditional policy regarding carrier entry into the market, price competition, the role of private carriage, the concept of collective ratemaking and other areas integral to the concept of common carriage.

These changes affect all motor carriers subject to the Interstate Commerce Act, some more heavily than others. The tank truck industry is in a rather unique position vis-a-vis the changing regulatory climate. The specialized nature and cost of its equipment, high level of safety, and concern of major shippers for safe operations make it less susceptible to the inevitable upheavals caused by the relaxing of the regulatory scheme than other types of motor carriers.

Today, for-hire tank trucks provide efficient, safe and reliable service to all segments of the nation's economy — from the giant corporation to the independent retailer and they will continue to perform these vital services in the future.

The Market

The tank truck industry serves a large and diversified market. From the early days of petroleum and fuel oil hauls, service has been the key. The industry caters to the shipper that has a time factor involved in his business. The technology which has developed since 1945 has enabled the for-hire carrier not only to transport many products unheard of prior to 1940, but to deliver them with the purity and integrity that the user demands.

Prior to 1960, the tank truck industry was composed mainly of family-owned companies operated by individual entrepreneurs. The growth of the industry since 1960 has dictated the expansion of management talent and techniques at all levels of operation. The "merger-fever" impacted the tank truck industry during the 1960's. Tank truck carriers have tended to grow larger, gross revenues have increased, while the total number of carriers has decreased.

The change in complexion of a large part of the tank truck industry is also reflective of changes in demand. As petroleum became a smaller segment of the industry's revenues, other products have taken on more importance. Years ago the pipeline and railroad provided the industry's major competition. Today through cooperative efforts, they are becoming partners in providing intermodal transportation services. The enormous tonnage capacities of pipelines and railroads provide long-haul movement which have created increasing demand for the tank truck carrier's ability to provide timely and reliable delivery service. The vast number of ex-rail and pipeline terminals have created an assured high volume short haul business of a highly stable nature for for-hire tank carriers in all areas of the United States.

However, the inherent flexibility of the truck and interstate highway, while providing our working environment, also provides the greatest competition — private carriage. The ability of individual manufacturer buying his own trucks to deliver his own products, without any commitment or responsibility to provide service to anyone else, means that the for-hire carrier must offer customized, flexible and reliable services in order to discourage the installation and/or expansion of proprietary truck operations.

ANALYSIS OF 1978 AND FIRST HALF OF 1979

In most of the previous analyses of the for-hire Tank Truck Industry, the author begins with a summation of the facts relating to the prior performance of the Industry and some quantitative comments on the first six months of the current year. While we will get to these points in due course, it might be useful to preface the past by summarizing the current operating environment. Management can seldom afford the luxury of reliving the past unless it provides some key to the future, and the future of the Tank Truck Industry is clouded by the onset of another economic roller coaster combined with fuel problems and regulatory change, all of which will be exacerbated by the quadrenial struggle to see who will occupy the White House.

Unlike the Grinch, our purpose is not to steal Christmas, but to point out that the unprecedented prosperity of the past several years is not a guarantee of future profits and that most tank truck managers will have to do considerably more in the next twelve months to earn their take-home pay than at any time since 1975. Managements, however, have a number of tools at hand to alter the operating and financial structures of their companies in order to best position themselves for anticipated changes in the economy. What we have endeavored to do is to work through the results of the past 18 months, looking for the interaction between the various income and cost accounts, and to isolate certain groups of expenses based on the degree of leverage they provide. Hopefully, by understanding these relationships, management will be better able to alter course when necessary to avoid the pitfalls of a changing economy, thereby maximizing the profit opportunity.

The thing to keep in mind as we discuss the results of the past 18 months is that the operating environment that existed during that period will be quite different from the environment that is projected for the next 12 months. *Fuel:* it no longer costs 30¢ per gallon. If you are fortunate enough to get bulk delivery, it is priced at 78¢ per gallon, but if purchases are made at truck stops, it runs as much as 86¢ per gallon before taxes. For the average tank truck carrier fuel is now 10-12% of revenues which compares to roughly 18% for a 40,000 lb. general freight shipment, 10% for the railroads and 22% for the airlines. *Freight rates,* however, are up over 18% when the 10% fuel surcharge (initiated by the ICC) is included. Given the industry's relatively low fuel ratio, the cost/rate relationships for company-owned equipment is quite favorable. Therefore, the mix of company-owned vs. owner-operator owned equipment (purchased transportation) could be quite important when projecting future profitability. *Interest:* What we thought were userous rates that the banks were charging in 1978 now look like found money with the prime five to six hundred basis points higher. Short-term financing of equipment in today's market will require a radical change in some of the variables in the capital budgeting model. *Economic Forecast:* Rather than the tail end of one of the longest and strongest peace-time booms, the economy is either in, or on the brink of a recession of unknown duration and unknown depth.

1978

The year 1978 stands out as a record year for the Tank Truck Industry, blending an increase of 15.4% in revenues with improvements in the before-tax profit margin (4.5% vs. 4.0%) and a lower effective tax rate (31.3% vs. 32.2%) to produce an impressive 31.2% increase in net income.

Revenues of the 190 reporting carriers approached the $2 billion mark, combining rate increases which averaged about 7-8% with an increase in volume and improvement in mix which added an additional 7-8% to revenues. Net carrier operating income increased 30.8%, twice the rate of gain of revenue, reflecting the positive effects of the operating leverage that is inherent in the cost structure of the Tank Truck Industry.

Because of the specialized equipment and terminal facilities required by the Industry, there are more costs that are relatively fixed in the short run than in most other segments of the for-hire trucking business. For example, labor costs which account for over 40% of industry revenues are relatively fixed in the *short-run* because manning levels change less rapidly than the economy. Therefore, the labor ratio will decrease when volume is unexpectedly strong

Bill Legg is a Vice President and the Senior Transportation Analyst — Alex. Brown & Sons, Baltimore, Maryland. As head of Alex. Brown's Transportation Group, Mr. Legg is responsible for both research and corporate finance projects relating to the trucking industry. Prior to joining Brown, Mr. Legg served as an officer in the Navy. He is a graduate of Trinity College and holds an MBA from Loyola College.

Mr. Legg is currently Vice President of the Motor Carriers Analyst Group, and a member of the Financial Analysts Society, Baltimore Society of Security Analysts, and the National Accounting and Finance Council of the ATA. He is a Chartered Financial Analyst.

Alex. Brown & Sons is the country's oldest investment banking firm, founded in 1800, and is one of the largest headquartered outside of New York City. The Firm has been associated with the transportation industry ever since 1827 when it was involved in raising the capital to start the country's first railroad, the Baltimore and Ohio.

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and increase when volume drops. Depreciation is another expense item which tends to be fixed in the short-term, although it will increase as a percent of revenue when inflation is high. The offset to a higher depreciation ratio is gain-on-sale of equipment which also reflects the impact of inflation. Variable costs, on the other hand, include purchased transportation, which fluctuates with the general level of business, and fuel cost which is influenced by both volume and price.

Without a more detailed breakdown of the industry's cost structure, it is hard to pinpoint where the improvement in the operating ratio came, but common logic would suggest that it was in those accounts which could be termed "fixed", because they should absorb a declining percentage of revenues in a growing economy. Conversely, deterioration in the operating ratio would be expected as a result of those "variable" costs which rose faster than revenues.

To begin with, purchased transportation rose 19.1% in dollars from 20.7% of revenues to 21.4%. This account represents a variable cost which normally rises when business is unexpectedly good and declines when there is a sufficient amount of company-owned equipment. A look at the history (the 1975 NTTC historical data on page 12) shows purchased transportation dropping from 24% to 20% of revenues in the 1974-1975 recession. This occurred in spite of an absolute decline in total revenues. Purchased transportation is a safety valve because it is a variable expense that can easily be controlled where a mix of company-owned and leased equipment is available. To further illustrate this point, for the first six months of 1979, purchased transportation increased to 23.6% of revenues, again reflecting strong traffic growth.

Looking at other facets of the income statement, we would have to assume that fuel, a variable cost, took up a greater percentage of the revenue dollar, pushing up the "operating supplies and expense" account as a percent of revenues. We would guess that this ratio rose about one-half of a percentage point in 1978.

Wages, salaries and fringe benefits tend to be relatively fixed over the short run. For the tank truck industry as a whole, wages, salaries and fringe benefits represent about 40% of revenues. But for those companies using owned equipment, this ratio is nearer to 50%. In a rising market, productivity generally increases, and we estimate that almost half of the improvement in the operating ratio in 1978 came from a lower labor ratio.

Depreciation is also fixed in the short run, and for 1978 depreciation expense increased only 13.6%, absorbing 5.4% of revenues, down from 5.5% in 1977. It would also be our guess that gain on sale of equipment, a negative expense item or credit, rose as a percent of revenues. In a period of high inflation, as has been the case, traditional depreciation rates are inadequate and leave a residual value that is often well above the depreciated value. Using several carriers as a guide, we would assume that the gain on sale of equipment as a percent of revenues also increased about one-half of a percentage point.

Inflation has done nothing but get worse since 1978, which makes tractors, trailers, and terminal facilities even more valuable. Replacement costs, however, are heading up at an even faster rate, which means that the accumulated depreciation account is understated. This in turn suggests that real operating income is somewhat overstated and should be adjusted for the effects of inflation when used in the capital budgeting model. Inflation, however, has benefited the owners of equipment *relative* to those who use owner-operators or those who have used finance leases to acquire equipment.

Operating income rose a solid 30.1% to $111.5 million, breaking the $100 million barrier for the first time. Interest expense, however, shot up 38% from $23.4 million to $32.3 million — absorbing a large share of the increase in operating income. A quick look ahead to the first half of 1979 shows another 44% jump in interest expense. Figures are not available on the amount of funded debt that is tied to the prime, but we believe that it represents the majority of total debt. At a prime rate of 15½%, the effective cost of money, when considering balances and commitment fees, is closer to 20%. Because equipment costs are rising, and cash throw-off will probably flatten out or even decline in 1980, interest expense tends to be dishearteningly fixed and contributes what is known as financial leverage. Unless debt levels are controlled, or the prime rate drops sharply, earnings will come under pressure as business softens. After debt payoff, the 31% increase in operating income was pared down to a 29% increase in pre-tax earnings. The industry fared better at the hands of the IRS, as only 31.3% of pre-tax income was paid out compared to 32.2% in 1977. To help cash flow, of the $5 million increase in the Industry's tax bill, $3 million was deferred. This brings us down to the proverbial bottom line which, as we mentioned, rose 31.2%.

Reflecting the strong growth in traffic, the industry expanded its physical plant by 22% (current dollars), financing the purchases through a 16.9% increase in equity, a 29.0% increase in deferred taxes, and a 17.6% increase in total funded debt. Cash throw-off increased by $30 million or 21%, providing the industry with a slight increase in working capital and helping it to maintain its overall liquidity.

The Industry's balance sheet remained relatively stable between 1977 and 1978, with funded debt to equity remaining flat at .91 and funded debt to tangible net work declining from 1.02 to 1.01. The current ratio dropped slightly from 1.26 to 1.23, and days of cash operating expense in working capital dropped from 14.7 to 13.4, both surprisingly small declines given the large outlays for plant and equipment. To sum up 1978, the industry experienced an exceptionally good year following on the heels of a fine performance in 1977. Not only were the aggregate measures of income impressive, but so were the measures of productivity and profitability. Return on equity reached 16.5%, up from 14.7% in 1977 and the return on transportation investment jumped from 16.7% to 16.2%.

Although as a general rule the largest carriers had the lowest operating ratios and the highest returns on equity, the spread between the larger and smaller carriers was not as wide as it has been in some previous years. Using $1 million in revenues as a cutoff and breaking the industry into three groups: $1 to $5 million, $5 to $10 million, and over $10 million, the *operating ratio* went from 95.1% to 94.9% and down to 93.9%, respectively. The *return-on-equity* for the same three groups began at 14.1% for the smaller carriers and rose to 16.6% and to 17.0% for the other two groups. The latter figure points out the advantage of leverage when business is strong. The much wider variance in the return on equity (than in the operating ratio) can be explained by the relative debt levels used to finance revenue equipment. The largest carriers had a 1.1 *funded-debt-to-equity* ratio which dropped to .7% and .5% for the next two groups. Without belaboring point, debt can be a useful tool in increasing returns when the economy and interest rates are right, but financial leverage can be a two-edged sword when the economic situation is not as favorable.

First Half of 1979

As good as 1978 was, 1979 began on an equally strong note. Business demand was at record levels, the weather was more amenable than in 1978, and the industry was in sound financial condition. Traffic levels have continued to hold up in spite of a growing softness in the economy, but other exogenous forces have put increasing pressure on margins. *Fuel* is an obvious problem, both in terms of availability and price. Fortunately, *freight rates* are high enough to cover the added expense, but availability is a longer term question. *Interest expense* continued to rise through the first half, but the biggest increase took place amidst the confusion surrounding the October 6, 1979 actions of the Federal Reserve Board. The Federal Reserve is obviously intent on reining in the Nation's money supply and has been pursuing the questionable method of raising interest rates to accomplish this objective.

Carrier revenues rose 16.7% in the first half of

(continued on inside back cover)

Composite Financial Statement of

(All Dollar Figu

NUMBER OF CARRIERS	TOTAL ALL CARRIERS 190				TOTAL OVER $1 MILLION 184			
INCOME STATEMENT	$ 1978	%	$ 1977	%	$ 1978	%	$ 1977	%
GROSS REVENUES	1938.52	100.0	1678.93	100.0	1933.24	100.0	1674.10	100.0
DEPRECIATION	104.85	5.4	92.26	5.5	104.53	5.4	91.94	5.5
PURCHASED TRANSPORTATION	414.00	21.4	347.67	20.7	413.25	21.4	347.03	20.7
TOTAL EXPENSES	1826.99	94.2	1593.68	94.9	1822.17	94.3	1589.05	94.9
NET CARRIER OPERATING INCOME	111.53	5.8	85.26	5.1	111.07	5.7	85.05	5.1
INTEREST EXPENSE	32.26	1.7	23.36	1.4	32.17	1.7	23.27	1.4
NET INCOME BEFORE TAXES	86.56	4.5	67.07	4.0	86.10	4.5	66.86	4.0
INCOME TAXES—CURRENT	18.12	0.9	16.05	1.0	18.02	0.9	15.98	1.0
DEFERRED INCOME TAXES	9.09	0.5	6.17	0.4	9.07	0.5	6.17	0.4
EQUITY IN EARNINGS OF AFFILIATED COMPANIES	2.47	0.1	1.73	0.1	2.38	0.1	1.73	0.1
NET INCOME AFTER TAXES	62.64	3.2	47.75	2.8	62.21	3.2	47.60	2.8
CASH THROW	174.11	N/A	146.46	N/A	173.42	N/A	143.99	N/A
AVERAGE REVENUE PER CARRIER	10.20	N/A	8.84	N/A	10.51	N/A	9.10	N/A
BALANCE SHEET: ASSETS								
CASH	76.72	7.6	71.33	8.3	76.32	7.6	71.03	8.3
RECEIVABLES FROM AFFILIATED COMPANIES	35.61	3.5	28.37	3.3	35.58	3.5	28.34	3.3
NOTES & ACCOUNTS RECEIVABLE	167.11	16.5	139.29	16.2	166.77	16.5	138.96	16.3
PREPAID EXPENSES	35.18	3.5	31.73	3.7	35.09	3.5	31.64	3.7
MATERIALS & SUPPLIES	22.73	2.2	20.36	2.4	22.70	2.3	20.31	2.4
OTHER CURRENT ASSETS	2.92	0.3	2.66	0.3	2.92	0.3	2.62	0.3
TOTAL CURRENT ASSETS	340.27	33.6	293.74	34.2	339.37	33.7	292.89	34.3
CARRIER OPERATING PROPERTY—COST	1088.60	107.6	949.89	110.7	1085.58	107.7	946.73	110.7
RESERVE FOR DEPRECIATION	538.99	53.3	499.94	58.2	537.32	53.3	498.18	58.3
CARRIER OPERATING PROPERTY—NET	549.61	54.3	449.95	52.4	548.27	54.4	448.55	52.5
TOTAL TANGIBLE PROPERTY	557.07	55.1	457.76	53.3	555.72	55.1	456.36	53.4
INTANGIBLES	35.77	3.5	36.95	4.3	35.73	3.5	36.91	4.3
OTHER ASSETS	78.17	7.7	69.83	8.1	76.87	7.6	68.76	8.0
TOTAL ASSETS	1011.28	100.0	858.28	100.0	1007.68	100.0	854.91	100.0
BALANCE SHEET: LIABILITIES & EQUITY								
PAYABLES TO AFFILIATES	17.26	1.7	15.20	1.8	17.21	1.7	15.18	1.8
NOTES PAYABLE	12.15	1.2	12.15	1.4	11.98	1.2	12.05	1.4
ACCOUNTS PAYABLE	96.88	9.6	78.23	9.1	96.72	9.6	78.08	9.1
MISCELLANEOUS PAYABLES & ACCRUALS	21.45	2.1	17.22	2.0	21.39	2.1	17.17	2.0
TAXES PAYABLE	16.60	1.6	13.25	1.5	16.58	1.6	13.24	1.5
FUNDED DEBT DUE WITHIN ONE YEAR	72.82	7.2	66.08	7.7	72.64	7.2	65.93	7.7
OTHER CURRENT LIABILITIES	39.10	3.9	30.61	3.6	38.97	3.9	30.51	3.6
TOTAL CURRENT LIABILITIES	276.26	27.3	232.75	27.1	275.49	27.3	232.16	27.2
ADVANCES PAYABLE	13.95	1.4	18.14	2.1	13.93	1.4	18.11	2.1
FUNDED DEBT DUE AFTER ONE YEAR	277.05	27.4	231.51	27.0	276.78	27.5	230.94	27.0
TOTAL LONG TERM DEBT	291.00	28.8	249.65	29.1	290.71	28.8	249.06	29.1
TOTAL FUNDED DEBT	349.87	34.0	297.59	34.0	349.42	34.0	296.88	34.0
RESERVES & ESTIMATED LIABILITIES	9.35	0.0	8.66	1.0	9.35	0.0	8.66	1.0
ACCUMULATED DEFERRED TAX CREDITS	54.23	5.4	42.04	4.9	54.10	5.4	41.94	4.9
TOTAL LIABILITIES	630.85	62.4	533.10	62.1	629.65	62.5	531.82	62.2
STOCKHOLDER'S EQUITY	380.43	37.6	325.18	37.9	378.03	37.5	323.09	37.8
TOTAL CAPITAL	671.44	66.0	574.83	66.0	668.74	66.0	572.15	66.0
TOTAL LIABILITIES & EQUITY	1011.28	100.0	858.28	100.0	1007.68	100.0	854.91	100.0

the Tank Truck Industry 1978-1977

res in Millions)

TOTAL UNDER $1 MILLION				$1-5 MILLION				$5-10 MILLION				OVER $10 MILLION			
6				90				51				43			
$ 1978	%	$ 1977	%	$ 1978	%	$ 1977	%	$ 1978	%	$ 1977	%	$ 1978	%	$ 1977	%
5.28	100.0	4.83	100.0	246.68	100.0	221.27	100.0	367.53	100.0	315.91	100.0	1319.04	100.0	1136.92	100.0
0.32	6.1	0.32	6.7	12.82	5.2	12.12	5.5	15.99	4.4	13.87	4.4	75.72	5.7	65.94	5.8
0.75	14.2	0.64	13.2	54.07	21.9	48.32	21.8	81.12	22.1	69.41	22.0	278.07	21.1	229.30	20.2
4.82	91.3	4.63	95.8	234.60	95.1	211.25	95.5	348.87	94.9	303.32	96.0	1238.70	93.9	1074.48	94.5
0.46	8.7	0.21	4.2	12.08	4.9	10.02	4.5	18.66	5.1	12.59	4.0	80.33	6.1	62.44	5.5
0.09	1.7	0.09	1.8	2.77	1.1	2.39	1.1	4.39	1.2	3.47	1.1	25.01	1.9	17.42	1.5
0.47	8.9	0.21	4.4	11.15	4.5	8.83	4.0	15.02	4.1	10.01	3.2	59.92	4.5	48.02	4.2
0.10	1.9	0.06	1.3	2.39	1.0	1.86	0.8	3.31	0.9	2.21	0.7	12.32	0.9	11.92	1.0
0.02	0.4	0.01	0.1	0.34	0.1	0.01	0.0	1.10	0.3	0.35	0.1	7.63	0.6	5.81	0.5
0.09	1.6	0.00	0.0	0.09	0.0	0.23	0.1	0.73	0.2	0.83	0.3	1.56	0.1	0.66	0.1
0.43	8.2	0.14	2.9	8.57	3.5	7.36	3.3	11.29	3.1	8.42	2.7	42.34	3.2	31.83	2.8
0.69	N/A	0.47	N/A	21.63	N/A	19.26	N/A	27.65	N/A	21.81	N/A	124.14	N/A	102.92	N/A
0.88	N/A	0.81	N/A	2.74	N/A	2.46	N/A	7.21	N/A	6.19	N/A	30.68	N/A	26.44	N/A
0.40	11.2	0.30	8.9	12.65	9.8	11.19	9.8	13.52	8.4	13.52	9.5	50.15	7.0	46.32	7.8
0.04	1.0	0.03	0.9	2.25	1.7	1.50	1.3	3.51	2.2	1.32	0.9	29.81	4.2	25.52	4.3
0.35	9.6	0.34	10.1	24.97	19.4	22.28	19.4	29.78	18.5	25.38	17.8	112.02	15.6	91.30	15.3
0.08	2.3	0.09	2.7	5.15	4.0	4.23	3.7	5.55	3.4	6.11	4.3	24.40	3.4	21.29	3.6
0.03	0.9	0.05	1.6	2.16	1.7	2.06	1.8	4.36	2.7	4.00	2.8	16.19	2.3	14.26	2.4
0.00	0.0	0.03	1.0	1.37	1.1	1.74	1.5	0.36	0.2	0.30	0.2	1.19	0.2	0.58	0.1
0.90	25.0	0.85	25.2	48.55	37.6	42.99	37.5	57.08	35.5	50.63	35.5	233.74	32.6	199.27	33.3
3.02	83.9	3.16	93.9	144.72	112.2	133.35	116.3	179.67	111.6	161.07	112.9	761.19	106.1	652.30	109.1
1.67	46.5	1.76	52.3	83.27	64.5	79.23	69.1	96.17	59.7	88.62	62.1	357.87	49.9	330.33	55.3
1.35	37.4	1.40	41.5	61.45	47.6	54.12	47.2	83.50	51.9	72.45	50.8	403.32	56.2	321.97	53.9
1.35	37.6	1.40	41.7	65.92	51.1	58.16	50.7	83.97	52.2	73.02	51.2	405.83	56.6	325.18	54.4
0.04	1.1	0.04	1.2	2.37	1.8	2.14	1.9	4.49	2.8	4.46	3.1	28.86	4.0	30.30	5.1
1.31	36.4	1.07	31.9	12.19	9.4	11.33	9.3	15.47	9.6	14.51	10.2	49.21	6.9	42.92	7.2
3.60	100.0	3.37	100.0	129.03	100.0	114.62	100.0	161.01	100.0	142.62	100.0	717.65	100.0	597.67	100.0
0.05	1.3	0.02	0.5	2.11	1.6	2.07	1.8	2.93	1.8	4.01	2.8	12.17	1.7	9.10	1.5
0.17	4.7	0.11	3.1	6.80	5.3	6.55	5.7	3.39	2.1	2.70	1.9	1.79	0.2	2.80	0.5
0.16	4.4	0.15	4.5	13.02	10.1	12.43	10.8	15.90	9.9	13.87	9.7	67.80	9.4	51.79	8.7
0.06	1.7	0.05	1.6	2.87	2.2	2.74	2.4	3.90	2.4	3.21	2.3	14.62	2.0	11.21	1.9
0.02	0.6	0.01	0.2	1.50	1.2	1.26	1.1	2.62	1.6	2.11	1.5	12.47	1.7	9.87	1.7
0.18	5.1	0.14	4.3	8.17	6.3	6.28	5.5	13.35	8.3	12.50	8.8	51.12	7.1	47.15	7.9
0.13	3.5	0.11	3.2	3.97	3.1	3.55	3.1	6.41	4.0	4.83	3.4	28.60	4.0	22.12	3.7
0.77	21.4	0.59	17.4	38.44	29.8	34.87	30.4	48.49	30.1	43.24	30.3	188.56	26.3	154.05	25.8
0.03	0.7	0.03	0.8	2.47	1.9	2.67	2.3	5.83	3.6	5.62	3.9	5.62	0.8	9.83	1.6
0.27	7.5	0.57	16.9	22.95	17.8	18.51	16.1	31.91	19.8	31.55	22.1	221.92	30.9	180.88	30.3
0.30	8.2	0.59	17.7	25.42	19.7	21.18	18.5	37.74	23.4	37.17	26.1	227.55	31.7	190.71	31.9
0.45	12.0	0.71	21.0	31.12	24.0	24.78	21.0	45.26	28.0	44.06	30.0	273.04	38.0	228.04	38.0
0.00	0.0	0.00	0.0	1.21	0.0	1.24	1.0	0.62	0.0	0.39	0.0	7.52	1.0	7.03	1.0
0.13	3.6	0.10	3.0	3.14	2.4	2.65	2.3	6.31	3.9	4.39	3.1	44.65	6.2	34.90	5.8
1.20	33.2	1.28	38.1	68.21	52.9	59.93	52.3	93.16	57.9	85.19	59.7	468.27	65.3	386.69	64.7
2.40	66.8	2.08	61.9	60.81	47.1	54.69	47.7	67.84	42.1	57.43	40.3	249.38	34.7	210.97	35.3
2.70	75.0	2.68	79.0	86.24	66.0	75.86	66.0	105.58	65.0	94.60	66.0	476.92	66.0	401.68	67.0
3.60	100.0	3.37	100.0	129.03	100.0	114.62	100.0	161.01	100.0	142.62	100.0	717.65	100.0	597.67	100.0

Comparative Analytical Data

(All Dollar Figure

	TOTAL ALL CARRIERS				TOTAL OVER $1 MILL			
NUMBER OF CARRIERS	190				184			
	1978	%	1977	%	1978	%	1977	
LIQUIDITY DATA:								
WORKING CAPITAL	$64.01		$61.00		$63.88		$60.73	
CURRENT RATIO	1.23		1.26		1.23		1.26	
DAYS OF CASH OPERATING EXPENSE IN WORKING CAPITAL (DAYS)	13.42		14.67		13.43		14.65	
AVERAGE DAYS COLLECTION PERIOD (DAYS)	31.46		30.28		31.48		30.29	
LEVERAGE & DEBT SERVICE								
TOTAL FUNDED DEBT TO EQUITY	0.91		0.91		0.92		0.91	
NET DEBT TO EQUITY	0.55		0.52		0.56		0.52	
FUNDED DEBT TO TANGIBLE NET WORTH	1.01		1.03		1.02		1.03	
CASH THROW TO FUNDED DEBT DUE IN ONE YEAR		239.10		218.61		238.76		2
CASH THROW TO TOTAL FUNDED DEBT		49.76		48.54		49.63		
INTEREST TO TOTAL FUNDED DEBT		9.22		7.85		9.20		
NET CARRIER PROPERTY TO EQUITY	1.44		1.38		1.45		1.38	
OPERATING AND EFFICIENCY RATIOS:								
GROSS REVENUES TO EQUITY	5.09		5.16		5.11		5.18	
GROSS REVENUES TO TOTAL CAPITAL	2.88		2.92		2.89		2.92	
GROSS REVENUES TO NET CARRIER OPERATING PROPERTY	3.52		3.73		3.52		3.73	
GROSS REVENUES TO CARRIER OPERATING PROPERTY (COST)	1.78		1.76		1.78		1.76	
PRE-TAX INCOME TO GROSS REVENUES		4.46		3.99		4.45		
PRE-TAX INCOME TO TOTAL CAPITAL		12.89		11.66		12.87		
AFTER TAX INCOME TO GROSS REVENUES		3.23		2.84		3.21		
AFTER TAX INCOME TO EQUITY		16.46		14.68		16.45		
RETURN ON TRANSPORTATION INVESTMENT		18.17		16.68		18.14		
EXPENSE RATIO	95.91		96.31		95.91		96.30	
OPERATING RATIO	94.24		94.92		94.25		94.91	
ADDITIONAL RATIOS								
RECEIVABLES TO PAYABLES	1.53		1.54		1.53		1.54	
DEPRECIATION TO DEBT DUE IN ONE YEAR	1.43		1.39		1.43		1.39	
TOTAL TANGIBLE PROPERTY TO EQUITY	1.46		1.40		1.47		1.41	
INCOME BEFORE EXTRA ITEMS, ETC. TO EQUITY		16.24		14.32		16.23		
GROSS REVENUES TO TOTAL TANGIBLE PROPERTY	3.47		3.66		3.47		3.66	
TOTAL PAYROLL TO REVENUES		29.45		30.53		29.46		
TOTAL PAYROLL (INCLUDING PURCHASED TRANSPORTATION) TO REVENUES		50.83		50.39		50.84		

a for the Years 1978 and 1977

es in Millions)

ION	TOTAL UNDER $1 MILLION				$1-5 MILLION				$5-10 MILLION				OVER $10 MILLION			
	6				90				51				43			
%	1978	%	1977	%	1978	%	1977	%	1978	%	1977	%	1978	%	1977	%
	$0.13		$0.26		$10.11		$8.13		$8.59		$7.39		$45.18		$45.22	
	1.16		1.44		1.26		1.23		1.17		1.17		1.23		1.29	
	9.80		21.80		16.45		14.75		9.35		9.25		14.01		16.18	
	23.89		25.62		36.94		36.74		29.57		29.32		30.99		29.31	
	0.18		0.34		0.51		0.45		0.66		0.76		1.09		1.08	
	0.05		0.14		0.21		0.18		0.34		0.42		0.70		0.64	
	0.19		0.34		0.53		0.47		0.71		0.83		1.23		1.26	
18.37		376.71		326.71		264.83		306.84		207.13		174.43		242.85		218.25
48.49		151.89		66.09		69.51		77.70		61.09		49.50		45.46		45.13
7.83		19.45		12.38		8.91		9.63		9.69		7.86		9.15		7.63
	0.56		0.67		1.01		0.98		1.23		1.26		1.61		1.52	
	2.19		2.31		4.05		4.04		5.41		5.50		5.28		5.38	
	1.95		1.80		2.86		2.91		3.48		3.33		2.76		2.83	
	3.92		3.45		4.01		4.08		4.40		4.36		3.27		3.53	
	1.74		1.53		1.70		1.65		2.04		1.96		1.73		1.74	
3.99		8.87		4.41		4.51		3.99		4.08		3.16		4.54		4.22
11.68		17.35		7.95		12.92		11.63		14.23		10.57		12.56		11.95
2.84		8.15		2.94		3.47		3.32		3.07		2.66		3.21		2.79
14.73		17.91		6.83		14.09		13.44		16.64		14.65		16.97		15.08
16.70		31.10		12.35	16.87		16.09		20.26		15.76		17.91		17.00	
	92.98		97.58		96.22		96.55		96.11		97.11		95.80		96.03	
	91.30		95.75		95.10		95.47		94.92		96.01		93.90		94.50	
	1.04		1.32		1.25		1.17		1.54		1.53		1.60		1.67	
	1.76		2.23		1.56		1.93		1.19		1.10		1.48		1.39	
	0.56		0.67		1.08		1.06		1.23		1.27		1.62		1.54	
14.37		17.91		6.83		13.99		13.15		16.72		14.41		16.65		14.67
	3.90		3.44		3.74		3.80		4.37		4.32		3.25		3.49	
30.54		23.66		24.58		29.87		28.41		29.77		29.71		29.34		31.04
50.40		44.18		42.49		47.74		48.81		50.61		52.08		51.28		50.18

Financial & Operating Statistics for

NUMBER OF CARRIERS	TOTAL ALL CARRIERS 159					TOTAL UNDER $1 MILLION 6			
(ALL DOLLAR FIGURES IN THOUSANDS)	$ 1979	%	$ 1978	%	Percent Change	$ 1979	%	$ 1978	%
INCOME									
Freight revenue—Intercity common carrier	885,176	91.64	761,774	92.06	16.20	2,554	79.78	1,844	76.45
Freight revenue—Intercity contract carrier	33,232	3.44	27,243	3.29	21.98	204	6.37	306	12.68
Freight revenue—Local cartage	22,390	2.31	18,134	2.19	23.47	286	8.93	162	6.71
Intercity transportation for other motor carriers	19,013	1.96	14,402	1.74	32.02	136	4.24	90	3.73
Other operating revenue	6,096	.63	5,845	.70	4.29	21	.65	10	.41
Total carriers revenue	965,907	100.0	827,398	100.00	16.74	3,210	100.00	2,412	100.00
EXPENSES									
Salaries—Officers and supervisory personnel	41,925	4.34	37,659	4.55	11.33	164	5.12	143	5.92
Salaries and wages	255,841	26.48	225,827	27.29	13.29	732	22.86	602	24.95
Miscellaneous paid time off	15,914	1.64	14,096	1.70	12.90	23	.71	17	.70
Other fringes	72,707	7.52	60,795	7.34	19.59	173	5.40	127	5.26
Operating supplies and expenses	160,121	16.57	130,152	15.73	23.03	674	21.05	511	21.18
General supplies and expenses	21,224	2.19	18,629	2.25	13.93	67	2.09	67	2.77
Operating taxes and licenses	31,066	3.21	28,962	3.50	7.26	115	3.59	102	4.22
Insurance	24,984	2.58	22,897	2.76	9.11	116	3.62	106	4.39
Communications and utilities	13,000	1.34	11,810	1.42	10.08	39	1.21	37	1.53
Depreciation and amortization	50,677	5.24	43,059	5.20	17.69	195	6.09	170	7.04
Purchased transportation	227,571	23.56	186,077	22.48	22.30	716	22.36	395	16.37
Building and office equipment rents	5,657	.58	5,024	.60	12.60	50	1.56	35	1.45
Gain (loss) on disposition of operation assets—Net	(11,398)	(1.18)	(6,022)	(.72)	(89.27)	(40)	(1.24)	(60)	(2.48)
Miscellaneous expenses	3,631	.37	3,739	.45	(2.89)	46	1.43	24	.99
Total carriers expenses	912,920	94.51	782,698	94.59	16.64	3,070	95.90	2,276	94.36
Net Operating Income	52,987	5.48	44,700	5.40	18.54	131	4.09	136	5.63
OTHER INCOME AND DEDUCTIONS									
Income from non-carrier operations—Net	1,066	.11	872	.10	22.25	1	.03	3	.12
Interest income	2,182	.22	1,203	.14	81.38	13	.40	11	.45
Dividend income	90		149	.01	(39.60)	13	.40	6	.24
Equity in earnings of affiliated companies	815	.08	900	.10	(9.44)	(1)	(.03)	12	.49
Lease of distinct operating units—Net	(11)		(9)		(22.22)				
Other non-operating income—Net	188	.01	(178)	(.02)		10	.31	18	.74
Unusual items—Net	33		(14)						
Gain (loss) on disposition of other assets—Net	323	.03	366	.04	(11.75)				
Interest and amortization expense	18,662	1.93	12,928	1.56	44.35	37	1.15	12	.49
Net other income	(13,976)	(1.44)	(9,639)	(1.16)	(44.99)	(1)	(.03)	38	1.57
Income (loss) before taxes	39,011	4.03	35,061	4.23	11.27	130	4.06	174	7.21
Taxes	11,561	1.19	7,477	.90	54.62	43	1.34	25	1.03
Provision for deferred taxes	3,329	.34	3,810	.46	(12.62)				
Ordinary Income	24,121	2.49	24,140	2.91	(.08)	87	2.71	149	6.17
Total extraordinary items and accounting changes	49	.01	59	.02	(16.95)				
Total Income	24,170	2.50	24,199	2.92	(.12)	87	2.71	149	6.17
Operating Ratio	94.51		94.59		(.08)	95.90		94.36	

the First Half 1979 vs. First Half 1978

	$1-5 MILLION					$5-10 MILLION					OVER $10 MILLION				
	76					41					36				
Percent Change	$ 1979	%	$ 1978	%	Percent Change	$ 1979	%	$ 1978	%	Percent Change	$ 1979	%	$ 1978	%	Percent Change
38.50	89,869	79.10	77,727	79.05	15.62	152,717	86.84	124,434	86.58	22.73	640,036	95.06	557,769	95.68	14.75
(33.33)	13,557	11.93	12,468	12.68	8.73	8,015	4.55	6,804	4.73	17.80	11,456	1.70	7,665	1.31	49.46
76.54	5,527	4.86	4,092	4.16	35.07	7,531	4.28	5,391	3.75	39.70	9,046	1.34	8,489	1.45	6.56
51.11	2,852	2.51	2,499	2.54	14.13	6,902	3.92	6,249	4.34	10.45	9,123	1.35	5,564	.95	63.96
110.00	1,807	1.59	1,534	1.56	17.80	676	.38	840	.58	(19.52)	3,592	.53	3,461	.59	3.79
32.71	113,612	100.00	98,320	100.00	15.55	175,841	100.00	143,718	100.00	22.35	673,253	100.00	582,948	100.00	15.49
14.69	4,756	4.18	4,819	4.90	(1.31)	7,164	4.07	6,224	4.33	15.10	29,841	4.43	26,473	4.54	12.72
21.59	28,313	24.92	25,186	25.61	12.42	50,287	28.59	42,517	29.58	18.28	176,509	26.21	157,516	27.02	12.06
35.29	1,077	.88	912	.92	10.42	2,784	1.58	2,259	1.57	23.24	12,100	1.79	10,908	1.87	10.93
36.22	7,458	6.56	6,446	6.55	15.70	13,681	7.78	11,271	7.84	21.38	51,395	7.63	42,951	7.36	19.66
31.90	21,235	18.69	17,875	18.18	18.80	30,842	17.53	23,552	16.38	30.95	107,370	15.94	88,214	15.13	21.72
.00	2,399	2.11	2,139	2 17	12.16	3,406	1.93	2,757	1.91	23.54	15,352	2.28	13,666	2.34	12.34
12.75	4,484	3.94	4,204	4.27	6.66	5,790	3.29	5,224	3.63	10.83	20,677	3.07	19,432	3.33	6.41
9.43	4,181	3.68	3,892	3.95	7.43	4,755	2.70	3,944	2.74	20.56	15,932	2.36	14,955	2.56	6.53
5.41	1,303	1.14	1,215	1.23	7.24	2,004	1.13	1,781	1.23	12.52	9,654	1.43	8,777	1.50	9.99
14.71	5,440	4.78	5,032	5.11	8.11	7,138	4.05	6,056	4.21	17.87	37,904	5.62	31,801	5.45	19.19
81.27	26,851	23.39	20,729	21.08	28.23	39,654	22.55	31,519	21.93	25.81	160,620	23.85	133 434	22.88	20.37
42.86	869	.76	698	.70	24.50	732	.41	699	.48	4.72	4,006	.59	3,592	.61	11.53
33.33	(887)	(.78)	(1,002)	(1.01)	11.48	(964)	(.54)	(354)	(.24)	(172.32)	(9,507)	(1.41)	(4,606)	(.79)	(106.40)
91.67	513	.45	418	.42	22.73	693	.39	430	.29	61.16	2,379	.35	2,867	.49	(17.02)
34.89	107,652	94.75	92,563	94.14	16.30	167,966	95.52	137,879	95.93	21.82	634,232	94.20	549,980	94.34	15.32
(3.68)	5,960	5.24	5,757	5.85	3.53	7,875	4.47	5,839	4.06	34.87	39,021	5.79	32,968	5.65	18.36
(66.67)	890	.78	694	.70	28.24	111	.06	43	.02	158.14	64		132	.02	(51.52)
18.18	290	.25	220	.22	31.82	291	.16	215	.14	35.35	1,588	.23	757	.12	109.78
116.67	13	.01	21	.02	(38.10)	62	.03	42	.02	47.62	2		80	.01	(97.50)
	22	.01	69	.07	(68.12)	391	.22	283	.19	38.16	403	.05	536	.09	(24.81)
			1			(11)		(10)		(10.00)					
(44.44)	180	.15	(24)	(.02)		(4)		12			2		(184)	(.03)	
	(16)		(18)		11.11	50		4		150.00	(1)				
	112	.09	194	.19	(42.27)	31	.01	79	.05	(60.76)	180	.02	93	.01	93.55
208.33	1,366	1.20	1,089	1.10	25.44	2,130	1.21	1,659	1.15	28.39	15,129	2.24	10,168	1.74	48.79
	125	.11	68	.06	83.82	(1,209)	(.68)	(991)	(.68)	(22.00)	(12,891)	(1.91)	(8,754)	(1.50)	(47.26)
(25.29)	6,085	5.35	5,825	5.92	4.46	6,666	3.79	4,848	3.37	37.50	26,130	3.88	24,214	4.15	7.91
72.00	1,485	1.30	1,499	1.52	(.93)	1,990	1.13	1,479	1.02	34.55	8,043	1.19	4,474	.76	79.77
	(3)		3			452	.25	224	.15	101.79	2,880	.42	3,583	.61	(19.62)
(41.61)	4,603	4.05	4,323	4.39	6.48	4,224	2.40	3,145	2.18	34.31	15,207	2.25	16,523	2.83	(7.96)
	49	.17	58	.23	(15.52)										
(41.61)	4,652	4.09	4,381	4.45	6.19	4,224	2.40	3,146	2.18	34.27	15,207	2.25	16,523	2.83	(7.96)
1.63	94.75		94.14		.65	95.52		95.93		(.43)	94.20		94.34		(.15)

Composite Historical Financial Statement of the Tank Truck Industry 1974-1978

(All Dollar Figures in Millions)

TOTAL (ALL CARRIERS)	190		190		198		214		236	
INCOME STATEMENT	**$ 1978**	**%**	**$ 1977**	**%**	**$ 1976**	**%**	**$ 1975**	**%**	**$ 1974**	**%**
GROSS REVENUES	1,938.52	100.0	1,678.93	100.0	1,464.3	100.0	1,275.0	100.0	1,430.4	100.0
DEPRECIATION	104.85	5.4	92.26	5.5	83.6	5.7	84.0	6.6	84.7	5.9
PURCHASED TRANSPORTATION	414.00	21.4	347.67	20.7	305.4	20.9	255.8	20.1	346.8	24.2
TOTAL EXPENSES	1,826.99	94.2	1,593.68	94.9	1,390.9	95.0	1,225.4	96.1	1,355.6	94.8
NET CARRIER OPERATING INCOME	111.53	5.8	85.26	5.1	73.5	5.0	49.5	3.9	74.8	5.2
INTEREST EXPENSE	32.26	1.7	23.36	1.4	21.5	1.5	25.3	2.0	27.6	1.9
NET INCOME BEFORE TAXES	86.56	4.5	67.07	4.0	56.7	3.9	29.6	2.3	52.3	3.7
CURRENT INCOME TAXES	18.12	0.9	16.05	1.0	18.0	1.2	N/A	N/A	N/A	N/A
DEFERRED INCOME TAXES	9.09	0.5	6.17	0.4	1.9	0.1	1.6	0.1	3.1	0.2
EQUITY IN EARNINGS (LOSSES) OF AFFILIATES[1]	2.47	0.1	1.73	0.1	1.5	0.1	0.9	0.1	N/A	N/A
NET INCOME AFTER TAXES	62.64	3.2	47.75	2.8	38.7	2.6	18.2	1.4	35.9	2.5
CASH THROW	174.11	N/A	144.46	N/A	122.7	N/A	102.9	N/A	122.3	N/A
AVERAGE REVENUE PER CARRIER	10.20	N/A	8.84	N/A	7.4	N/A	6.0	N/A	6.1	N/A
BALANCE SHEET: ASSETS										
CASH AND EQUIVALENTS	76.72	7.6	71.33	8.3	65.0	8.7	61.7	8.9	56.5	7.7
RECEIVABLES FROM AFFILIATED COMPANIES	35.61	3.5	28.37	3.3	26.1	3.5	22.6	3.3	23.6	3.2
NOTES AND ACCOUNTS RECEIVABLE	167.11	16.5	139.29	16.2	116.6	15.6	102.3	14.7	106.0	14.4
MATERIALS AND SUPPLIES	22.73	2.2	20.36	2.4	20.2	2.7	18.5	2.7	19.0	2.6
PREPAID ITEMS AND OTHER CURRENT ASSETS	38.10	3.8	34.39	4.0	29.3	3.9	26.5	3.8	27.4	3.7
TOTAL CURRENT ASSETS	340.27	33.6	293.74	34.2	257.4	34.5	231.7	33.4	232.5	31.6
CARRIER OPERATING PROPERTY (COST)	1,088.60	107.6	949.89	110.7	834.8	111.8	798.2	114.9	811.0	110.0
RESERVE FOR DEPRECIATION	538.99	53.3	499.94	58.2	457.0	61.2	442.1	63.7	409.9	55.6
NET CARRIER OPERATING PROPERTY	549.61	54.3	449.95	52.4	377.8	50.6	356.0	51.3	401.2	54.4
TOTAL INTANGIBLE ASSETS—NET	35.77	3.5	36.95	4.3	30.9	4.1	28.0	4.0	28.5	3.9
OTHER ASSETS	85.63	8.5	77.64	9.0	80.6	10.7	78.9	11.4	75.1	10.2
TOTAL ASSETS	1,011.28	100.0	858.28	100.0	746.7	100.0	694.5	100.0	737.3	100.0
BALANCE SHEET: LIABILITIES AND EQUITY										
PAYABLES TO AFFILIATES	17.26	1.7	15.20	1.8	17.5	2.3	N/A	N/A	N/A	N/A
NOTES PAYABLE	12.15	1.2	12.15	1.4	8.4	1.1	9.9	1.4	10.7	1.4
ACCOUNTS PAYABLE	96.88	9.6	78.23	9.1	69.1	9.3	94.1	13.6	103.4	14.0
MISCELLANEOUS PAYABLES	21.45	2.1	17.22	2.0	20.8	2.8	21.0	3.0	21.7	2.9
TAXES PAYABLE	16.60	1.6	13.25	1.5	14.7	2.0	4.6	0.7	7.3	1.0
FUNDED DEBT DUE IN ONE YEAR	72.82	7.2	66.08	7.7	58.4	7.8	59.3	8.5	67.1	9.1
OTHER CURRENT LIABILITIES	39.10	3.9	30.61	3.6	22.0	2.9	N/A	N/A	N/A	N/A
TOTAL CURRENT LIABILITIES	276.26	27.3	232.75	27.1	211.0	28.3	189.0	27.2	210.0	28.5
ADVANCES PAYABLE	13.95	1.4	18.14	2.1	14.9	2.0	15.0	2.2	15.4	2.1

1974-1978 STATEMENT (continued)	$ 1978	%	$ 1977	%	$ 1976	%	$ 1975	%	$ 1974	%
FUNDED DEBT DUE AFTER ONE YEAR	277.05	27.4	251.51	27.0	181.4	24.3	175.8	25.3	212.0	28.8
TOTAL LONG TERM DEBT	291.00	28.8	249.65	29.1	196.3	26.3	190.8	27.5	227.3	30.8
TOTAL FUNDED DEBT	349.87	34.0	297.59	34.0	239.9	32.0	235.1	33.9	279.1	37.9
TOTAL LIABILITIES	630.85	62.4	533.10	62.1	454.3	60.8	379.7	54.7	437.4	59.3
RESERVES AND ESTIMATED LIABILITIES	9.35	0.0	8.66	1.0	10.6	1.0	9.7	1.4	11.5	1.6
ACCUMULATED DEFERRED TAX CREDITS	54.23	5.4	42.04	4.9	36.4	4.9	35.7	5.1	30.6	4.1
STOCKHOLDER EQUITY	380.43	37.6	325.18	37.9	292.4	39.2	269.4	38.8	257.8	35.0
TOTAL CAPITAL	671.44	66.0	574.83	66.0	488.7	65.0	445.2	64.1	469.8	67.7
TOTAL LIABILITIES AND EQUITY	1,011.28	100.0	858.28	100.0	746.7	100.0	694.5	100.0	737.3	100.0

[1]This figure not available prior to 1975.

Composite Historical Analytical Data 1974-1978

(ALL DOLLAR FIGURES IN MILLIONS)

TOTAL (ALL CARRIERS)	190		190		198		214		236	
ANALYTICAL RATIOS:	**1978**	**%**	**1977**	**%**	**1976**	**%**	**1975**	**%**	**1974**	**%**
LIQUIDITY DATA AND RATIOS:										
WORKING CAPITAL	$64.01		$61.00		$46.40		$42.70		$22.46	
CURRENT RATIO	1.23		1.26		1.22		1.23		1.11	
DAYS OF CASH OPER. EXPENSES IN WORKING CAPITAL	13.42		14.67		12.86		13.66		6.45	
AVERAGE DAYS COLLECTION PERIOD (DAYS)	31.46		30.28		29.06		29.27		27.05	
FINANCIAL RATIOS: LEVERAGE AND DEBT SERVICE										
TOTAL FUNDED DEBT TO EQUITY	0.91		0.91		0.82		0.90		1.08	
NET DEBT TO EQUITY	0.55		0.52		0.46		0.49		0.74	
TOTAL FUNDED DEBT TO TANGIBLE NET WORTH	1.01		1.03		0.91		1.01		1.22	
CASH THROW TO FUNDED DEBT DUE IN ONE YEAR		239.10		218.61		209.91		174.46		182.24
CASH THROW TO TOTAL FUNDED DEBT		49.76		48.54		51.15		43.80		43.83
NET CARRIER OPERATING PROPERTY TO EQUITY	1.44		1.38		1.29		1.32		1.56	
OPERATING AND EFFICIENCY RATIOS:										
GROSS REVENUES TO STOCKHOLDER'S EQUITY	5.09		5.16		5.00		4.73		5.55	
GROSS REVENUES TO TOTAL CAPITAL	2.88		2.92		2.99		2.86		3.04	
GROSS REVENUES TO NET CARRIER OPERATING PROPERTY	3.52		3.73		3.87		3.58		3.57	
GROSS REVENUES TO CARRIER OPER. PROPERTY (COST)	1.78		1.76		1.75		1.60		1.76	
NET INCOME AFTER TAXES TO STOCKHOLDER'S EQUITY		16.46		14.68		13.24		6.75		13.92
NET INCOME BEFORE TAXES TO TOTAL CAPITAL		12.89		11.66		11.59		6.64		11.14
NET INCOME BEFORE TAXES TO GROSS REVENUES		4.46		3.99		3.86		2.32		3.66
NET INCOME AFTER TAXES TO GROSS REVENUES		3.23		2.84		2.64		1.43		2.51
RETURN ON TRANSPORTATION INVESTMENT		18.17		16.68		27.32		12.42		17.66
OPERATING RATIO	94.24		94.92		94.98		96.11		94.77	
EXPENSE RATIO	95.91		96.31		96.45		98.10		96.70	

Glossary & Definitions

ICC Accounting Changes

The 1974, 1975, 1976, 1977 and 1978 composite financial statements contained herein have been completed in accordance with the latest standards in ICC Accounting Practices. Following are brief definitions of terms used in presenting the balance sheet, income statement, and financial ratios in this analysis.

GROSS REVENUES: The total of all revenues from transportation services. This account can be considered as an equivalent to a "sales" figure.

DEPRECIATION: Non-cash charges to income for use and obsolescence of fixed assets.

PURCHASED TRANSPORTATION: The costs of revenue equipment rented from others, whether affiliates or not, with or without hired drivers, as well as the costs of transportation purchased from railroads, airlines and water carriers. This account, when a low percentage, would indicate the carrier has a large number of company employees. Conversely, a large percentage would indicate little use of company employees.

OPERATING EXPENSES: Expenses which are directly a function of operations, including depreciation and purchased transportation. Non-carrier expenses and interest charges are not included.

NET OPERATING INCOME: Gross Revenues less Operating Expenses.

INTEREST EXPENSE: The cost, paid or accrued, of money from affiliates or others.

NET INCOME BEFORE TAXES: Income from continuing operations, after interest charges, but before income taxes and extraordinary gains or losses.

INCOME TAXES—CURRENT: Includes taxes paid to the federal government, state government as well as other taxes (such as local), if applicable.

DEFERRED INCOME TAXES: Taxes arising principally from the difference in handling certain assets, such as tires and tubes, for book and tax purposes. Deferred taxes also includes investment tax credits, if applicable. This account is used in the cash throw equation.

EQUITY IN EARNINGS OF AFFILIATES: An account used in the cash throw equation. As of Jan. 1, 1977, this account was removed from the "Other Income/Deduction" account groupings and placed after taxes.

NET INCOME AFTER TAXES: The sum of post-tax ordinary and extraordinary income.

CASH THROW: Net Income After Taxes plus depreciation, as defined, plus deferred income taxes accrued during the reporting period minus equity in the earnings of affiliated companies.

CASH: Cash, temporary investments, and special deposits.

CURRENT RATIO: The ratio of Current Assets to Current Liabilities, both as previously defined. The working capital requirements of motor carriers are not comparable with those of other industries since inventories are relatively minor and receivables turn over relatively quickly.

DAYS OF CASH OPERATING EXPENSES IN WORKING CAPITAL: To compute, (a) subtract depreciation and the gain (loss) from disposition of operating assets from Operating Expenses to get cash operating expenses; (b) divide cash operating expenses by 365; (c) divide the result into Working Capital. This ratio measures the ability of the carrier to meet daily operating expenses from working capital. To service debt, it is cash throw from ongoing operations, not a diminuation of current assets, which relevant, and, therefore, the Days Cash ratio is a better indicator of operational viability than the Current Ratio.

AVERAGE DAYS COLLECTION PERIOD: Notes and accounts receivable times 365 divided by gross revenues. This ratio is helpful in analyzing the collectibility of receivables.

FUNDED DEBT TO EQUITY: The ratio of total funded debt, inclusive of current maturities, to shareholders' equity. If current operations can be adequately funded from working capital, this ratio reveals the degree of protection afforded to long-term lenders.

NET DEBT TO EQUITY: Funded Debt due after one year less Working Capital, divided by Net Worth. A more sharply-honed version of the preceding ratio, since it does not include working capital, which ought to be sufficient to cover current operations.

FUNDED DEBT TO TANGIBLE NET WORTH: Total funded debt divided by shareholders' equity less intangibles. This ratio is another fine-tuned version of the debt to equity ratio in that intangibles are eliminated from stockholders' equity.

CASH THROW TO DEBT DUE IN ONE YEAR: Cash Throw divided by Current Portion of Funded Debt. This ratio, which indicates the ability to service the current portion of long-term debt principal, is useful for analyzing smaller carriers which finance equipment purchases on an installment basis. Since revolving credit arrangements do not provide for current maturities, the ratio will be misleading when applied to carriers using revolvers.

CASH THROW TO TOTAL FUNDED DEBT: This index reveals the proportion of Total Funded Debt that could be repaid in one year were all Cash Throw directed to that end. As such, it yields a better measure of the ability of carriers who use equipment revolvers to service their debt than does the preceding ratio. The reciprocal of this ratio is the number of years required to repay debt completely, and it may usefully be compared with the average remaining life of Carrier Operating Property.

INTEREST TO TOTAL FUNDED DEBT: This index shows interest payments as a percentage of total funded debt.

NET CARRIER OPERATING PROPERTY TO NET WORTH: As a measurement of owners' equity in operating property, this ratio points to relative adequacy of capitalization as well as to efficient use of capital.

GROSS REVENUES TO EQUITY: One of several measures suggesting degree of efficiency in employment of capital.

AFTER-TAX INCOME TO EQUITY: This ratio, return on shareholders' equity, indicates how well the owners' investment dollars are used.

GROSS REVENUES TO CARRIER OPERATING PROPERTY NET AND AT COST: These measures tell how much revenue is produced by each dollar of operating equipment and are another index of management's efficiency. They are best applied to year-to-year comparisons of the same or very similar carriers; the amount of purchased transportation employed can otherwise affect the validity of comparisons.

GROSS REVENUES TO TOTAL CAPITAL AND PRE-TAX INCOME TO TOTAL CAPITAL: Two additional operating ratios which measure the turnover of total capital on revenues and pre-tax income.

PRE-TAX AND AFTER-TAX INCOME TO GROSS REVENUES: Well-known measures of profitability. Since motor carriers typically show low margins on high volumes, even slight changes in these ratios may indicate disturbing trends.

RETURN ON TRANSPORTATION INVESTMENT: Net carrier operating income divided by carrier operating property, net, plus working capital expressed as a percent.

EXPENSE RATIO: Total Operating Expenses plus interest expenses as a percentage of Gross Revenues. Unlike the Operating Ratio, the Expense Ratio also takes into account the cost of borrowing.

OPERATING RATIO: Operating Expenses as a percentage of Gross Revenues. This is the single most important index of operating efficiency. Since it excludes extraordinary expenses, income taxes and interest, individual peculiarities are eliminated so that the ratio may be used as a measure of performance industry-wide.

TOTAL PAYROLL TO REVENUES: This ratio suggests the degree of efficiency with which labor is employed.

TOTAL PAYROLL (WPT) TO REVENUES: The ratio of Total Payroll (including Purchased Transportation) to Revenues is a refinement of the preceding ratio. It too reveals efficiency in the use of personnel resources; it is more meaningful than the ratio of Total Payroll to Revenues for analyzing carriers which rely heavily upon purchased transportation.

RECEIVABLES FROM AFFILIATES: Notes and accounts receivable due from affiliated companies.

NOTES AND ACCOUNTS RECEIVABLE: Trade receivables (billings to shippers), interline receivables (billings to other carriers), and other receivables.

PREPAID EXPENSES: Office supplies, taxes, license and other fees, insurance, interest, and warehoused tires and tubes. Under ICC rules, tires and tubes in use may be either expensed at the outset of use or relegated to this accrual category, according to the discretion of management.

MATERIALS AND SUPPLIES: These include fuel, spare parts, and tires and tubes which have not yet been mounted. Inventories may be expensed when purchased or as they are withdrawn for use.

OTHER CURRENT ASSETS: Includes the account termed other current assets and deferred income tax charges.

CURRENT ASSETS: The sum of cash, accounts receivable, prepaid expenses, materials and supplies, and other current assets.

CARRIER OPERATING PROPERTY (NET): A motor carrier's "inventory," that is, revenue producing fixed assets such as trucks, tractors, trailers, buildings, land, leasehold improvements, and office equipment, as valued at cost, less accumulated depreciation and amortization.

TOTAL TANGIBLE PROPERTY: Net carrier operating property plus other net non-carrier operating property. The "other" property accounts includes items such as land purchased for expansion, or buildings, etc.

INTANGIBLE ASSETS: A combination of (a) the carrying values of operating authorities from the ICC and state regulatory bodies and (b) goodwill, principally from acqusitions of other companies and their properties, being the excess of cost over the net book value of the assets acquired.

OTHER ASSETS: Investments in and advances to affiliated companies; deferred and miscellaneous debits.

PAYABLE TO AFFILIATES: Notes and accounts payable to affiliated companies.

NOTES PAYABLE: Short-term debt used for cyclical working capital purposes, such as for license fees and insurance premiums. The current portion of funded (long-term debt) does not fall into this category.

ACCOUNTS PAYABLE: Operational trade payables.

MISCELLANEOUS PAYABLES AND ACCRUALS: Unpaid salaries and benefits, including health and welfare and withholding taxes, accrued dividends and other miscellaneous accounts.

TAXES PAYABLE: Miscellaneous taxes due or accrued, such as income and highway use, but not deferred income taxes.

CURRENT PORTION OF FUNDED DEBT: The amount of funded debt due within one year. Under ICC accounting practices, this is now considered a current liability.

OTHER CURRENT LIABILITIES: Includes the current portion of advances payable, estimated accrued liabilities, other liabilities and deferred tax credits.

CURRENT LIABILITIES: The sum of notes payable, accounts payable, miscellaneous payables and accruals, taxes payable, the current portion of funded debt and other current liabilities.

ADVANCES PAYABLE: Contains the non-current portion of advances payable, both to affiliated companies as well as other business enterprises.

FUNDED DEBT: Secured or unsecured debt taken for a term greater than one year and used primarily for equipment and real estate purchases.

TOTAL LONG TERM DEBT: The sum of long term funded debt (excluding the current maturities) and long term advances payable.

TOTAL FUNDED DEBT: The total "borrowed" debt of a company including long term funded debt and the current portion of that debt. Long term advances payable are not included here.

RESERVES AND ESTIMATED LIABILITIES: Reserves covering cargo loss and damage and self-insurance programs.

ACCUMULATED DEFERRED TAX CREDITS: Deferred income taxes resulting from the difference between book and tax treatment of depreciation.

TOTAL LIABILITIES: The sum of current liabilities, total long term debt and reserves and estimated liabilities.

SHAREHOLDER'S EQUITY: The equity in the assets held by proprietors, partnerships, and stockholders; comprises all classes of capital stock, capital surplus, and retained earnings, net of treasury stock. Also includes as of Jan. 1, 1978 the equity of minority shareholders of subsidiaries.

TOTAL CAPITAL: Total long term debt (funded debt due after one year and non-current advances payable) plus stockholder's equity.

WORKING CAPITAL: Current Assets less Current Liabilities.

(continued from page 5)

1979, combining rate increases, which averaged up about 8%, with an increase in volume. Operating expenses rose at a slightly slower rate, up 16.6%, as the operating ratio dropped fractionally 94.6% to 94.5%.

Evident in the breakdown of the operating ratio were the forces we saw at work in the 1978 statistics. Relatively fixed costs (short-term) such as labor (+13.0%), taxes and licenses (+7.3%), insurance (+9.1%) and communications and utilities (+10.1) rose at slower rates than some variable costs such a purchased transportation (+22.3%) and operating supplies and expenses (+23.0%). Fuel explains much of the increase in this latter category. The one deviation from the rule was that depreciation, which tends to be more of a fixed cost, rose 17.7%. Gain on sales of equipment, however, rose 89.3%, reflecting the inflated value of used equipment which, to some extent, is a natural offset to higher depreciation.

Operating income rose to $53.0 million, an 18.5% increase over 1978's record $44.7 million. Interest expense, however, jumped 44.4%, wiping out much of the gain in operating income, reducing the gain in pre-tax income to 11.3%. Lower investment tax credits resulted in an increase in the tax rate from 32.2% to 38.2%, further reducing income to a point where net profits ended up trailing 1978's first half by .08%.

The Tank Truck Industry today is in as strong a position as it has been in recent years, but it will have to face a future which is, at best, difficult to forecast. In this analysis we have endeavored to discuss the events of the past two years, always with an eye to the future, but the one area we have not yet mentioned is regulatory change.

The purpose of regulation is to protect the shipper on the one hand, but it is also designed to keep the industry being regulated healthy and able to serve. This latter consideration has traditionally taken the form of determining a general level of revenue and profits considered adequate to keep the industry solvent. This approach, while it did perhaps keep some carriers in business that would otherwise have dropped out, gave investors and lenders a clear benchmark on which to base expected returns and they, for their part, have financed much of the growth experienced by the trucking industry in general and the tank truck industry as well.

Recent moves by the ICC have signaled an end to the industry oriented approach to regulation and the beginning of a more consumerist approach which will put the onus of maintaining adequate profit levels squarely on managements' shoulders. Every problem, however, presents an opportunity, and in the Tank Truck Industry there are perhaps more opportunities from deregulation than in any other segment of the Trucking Industry.

First — The tank truck carrier's clientele are sophisticated and relatively more concentrated than those of the general freight carriers. Under deregulation, more formal arrangements could be negotiated regarding guaranteed volumes, cost plus rates, and directional discounts. In essence, a relationship bordering on the contractual could be arranged.

Second — The relatively high capital cost of entering the business will tend to keep fly-by-night competition out.

Third — The specialized nature of the traffic requires more sophisticated handling techniques and more expensive terminal facilities, again keeping out the amateur. These factors also serve as a deterrent to private carriage.

Therefore, we conclude that the Tank Truck Carriers have less to lose from deregulation than other sectors of the industry. In view of this, either complete deregulation or a return to the former regulatory environment offers the best profit opportunities. The greatest risk comes from a partial deregulation where the benefits of regulation are lost, but carrier managements are still not completely free to run their companies. One of the challenges facing the Tank Truck Industry will be to decide *if* they are indeed better off under partial regulation. If the decision is reached that the partial deregulation is a less than desirable situation, the industry must then decide to help affect an acceptable solution.